



Davis and Weber Counties Industrial Market

Net Absorption Low as Construction Deliveries Delayed; Vacancy Below 2% for the 12th Consecutive Quarter

Net absorption and deliveries were muted in the second quarter of 2022, much like the other markets along the Wasatch Front. This is largely a function of delay of construction deliveries, rather than a signal of market activity. Just over 900,000 square feet of speculative development delivered to the market this year; only 4.0% is still available, indicating the sustained demand for new space. The market is experiencing a prolonged period of sub-2.0% vacancy, thanks to continued strong tenant demand, with the second quarter of 2019 being the last quarter with vacancy at or above 2.0%. During this time, net absorption outpaced deliveries; 4.1 million square feet to 3.8 million square feet, as new deliveries were quickly occupied in this supply-constrained market. Moving forward, expect some upward movement in vacancy as new construction delivers with some vacancy and multiple tenants indicating they will be subleasing space as strong consumer spending seen over the last two years softens.

The overall achieved average first-year lease rate is up 9.0% through the first half of 2022 compared with 2021. While the lease rate growth remains strong, it is down from the pandemic-fueled growth of 24.4% experienced from 2020 to 2021.

Current Conditions

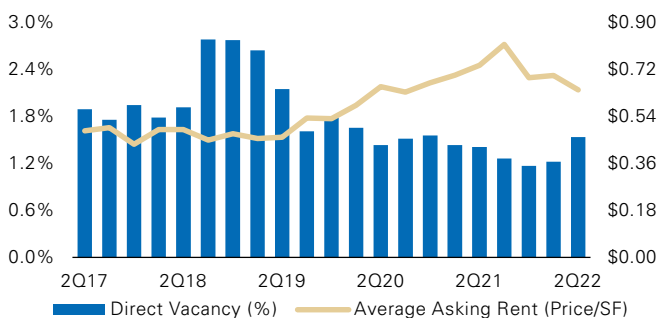
- Direct vacancy remained below 2.0% for the 12th straight quarter.
- Construction delivery delays lowered net absorption in the supply-constrained market.
- Overall achieved average lease rate growth continued, albeit slowing, with the first half of 2022 seeing a 9.0% increase from 2021.

Market Summary

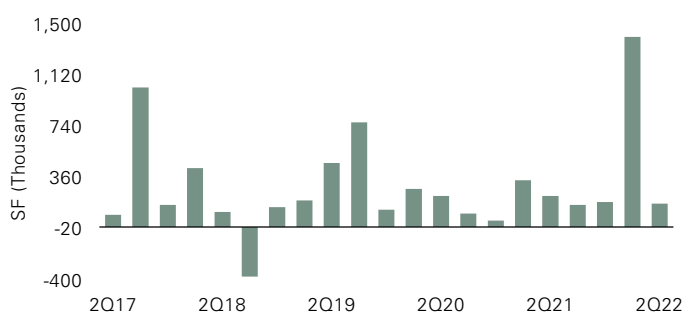
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	59.8 M	59.4 M	57.8 M	↑
Direct Vacancy Rate	1.5%	1.2%	1.4%	↑
Quarterly Net Absorption (SF)	0.2 M	1.4 M	0.2 M	↑
Average Asking Rent/SF	\$0.64	\$0.70	\$0.74	↑
Under Construction (SF)	1.4 M	0.7 M	2.3 M	→
Deliveries (SF)	0.4 M	1.5 M	0.2 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



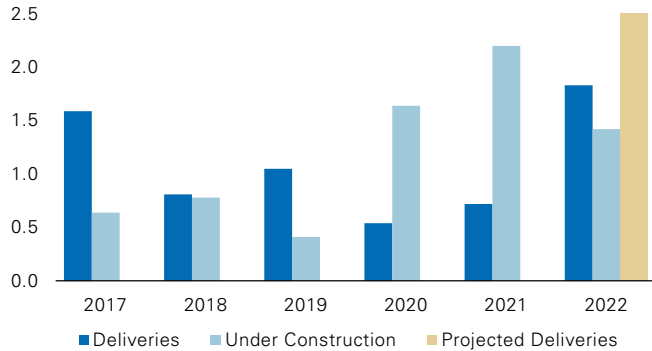
RESEARCH Q2 2022

Continued demand for space, low vacancy and increasing construction costs will continue to push rents upwards, but the explosive growth of last year is unlikely to continue given current economic conditions.

While new supply is currently scarce, new deliveries with some vacancy delivering over the next few quarters, in addition to occupiers subleasing space, will provide prospective tenants flexibility. Over the last several quarters, tenants increasingly turned to pre-leasing to secure space in the market.

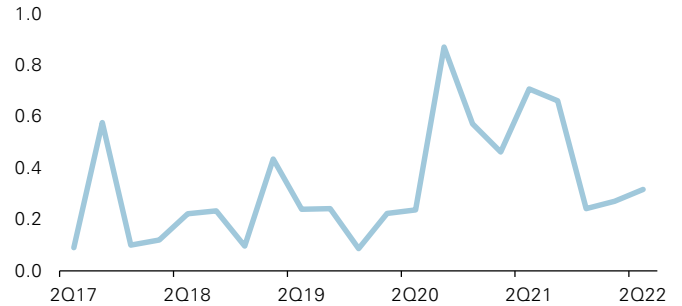
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

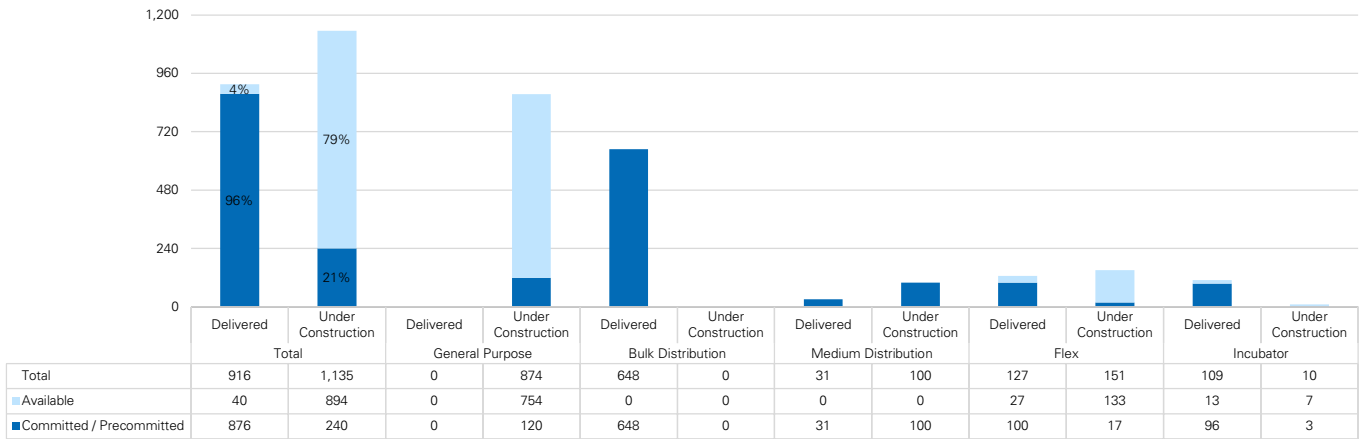
Tenant	Market	Building	Type	Square Feet
Kimberly-Clark	BDO	BDO West G	New	237,731
Confidential	BDO	550 S. Depot Dr., Ogden	New	48,424
NBN Fitness Corporation	South Davis	Woods Cross Business Park B	New	17,480

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Confidential	Various	Amazon Delivery Station Portfolio	Capital Markets	552,047
Christopher R. Harris	South Davis	2193 S. 1640 W., Woods Cross	Owner-User	10,000

2022 Speculative Development – Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



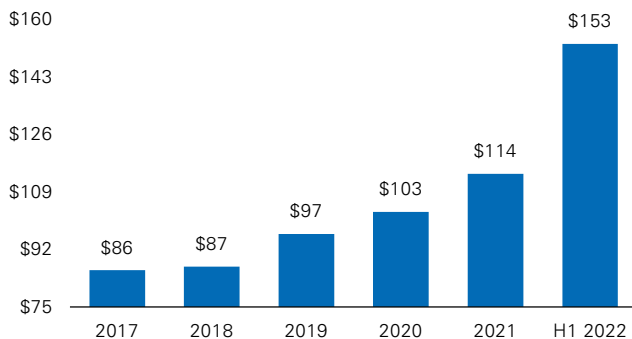
Achieved Average First-Year Lease Rates

MONTHLY PER SQUARE FOOT NNN



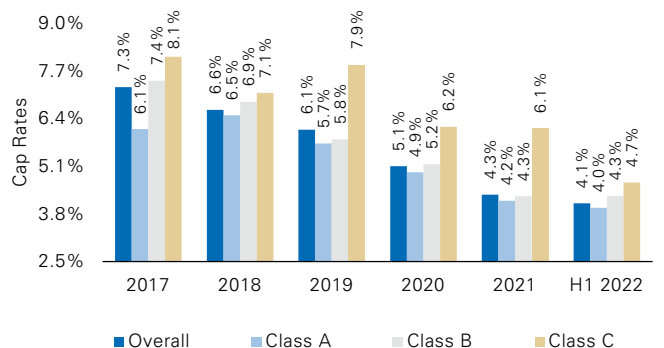
Achieved Average Owner-User Sales

PRICE PER SQUARE FOOT



Utah Industrial Capital Markets Sales

AVERAGE CAP RATES

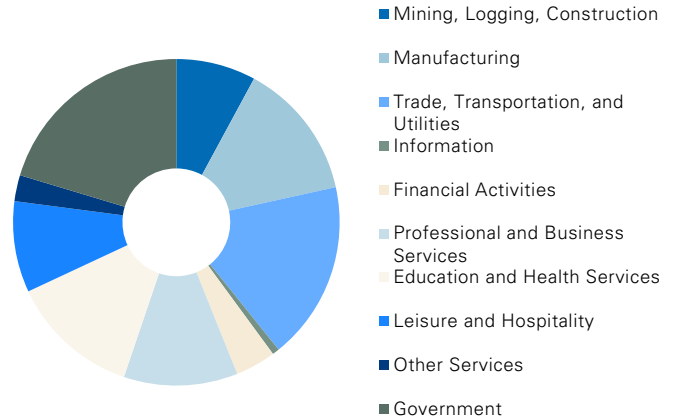


Economic Overview

Before the COVID-19 recession, Utah had the highest overall employment growth (33.1%) between the Great Recession and the onset of the pandemic. With the Ogden-Clearfield Metro unemployment coming in at 2.1% in May 2022, the Metro is one of the fastest recovering in terms of employment rate. Increased job activity and creation among the office sector is much higher than surrounding metros, largely attributed to new government contracts around Hill Air Force Base. Currently facing a high labor shortage, companies are competing for quality candidates across all industries and will need to work hard to attract and retain talent. With increasing inflation costs that match those experienced across the nation, both employers and employees are more mindful than ever about where money is going and watching for ways to cut unnecessary expenses.

Employment by Industry

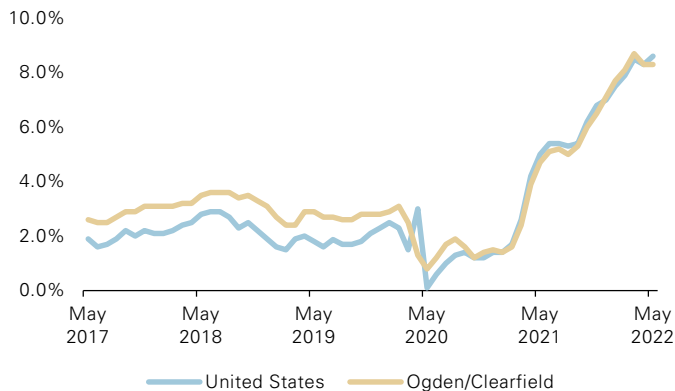
OGDEN-CLEARFIELD METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

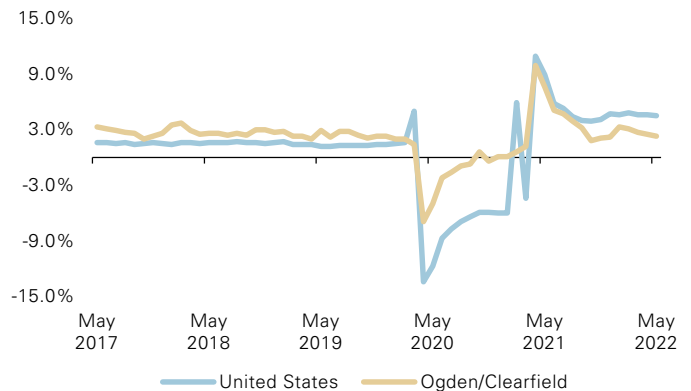
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

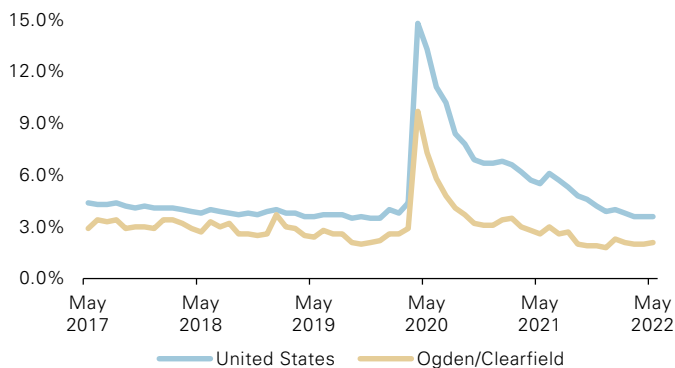
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

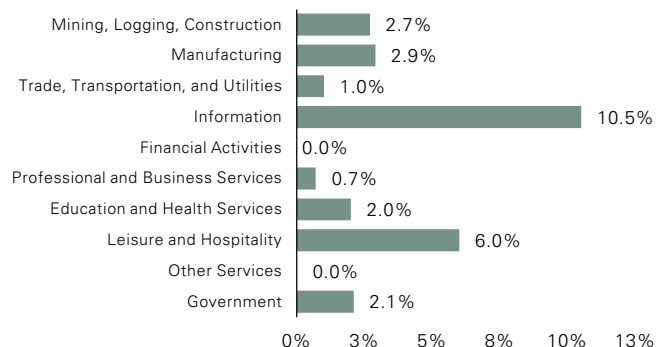
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

OGDEN-CLEARFIELD METRO, MAY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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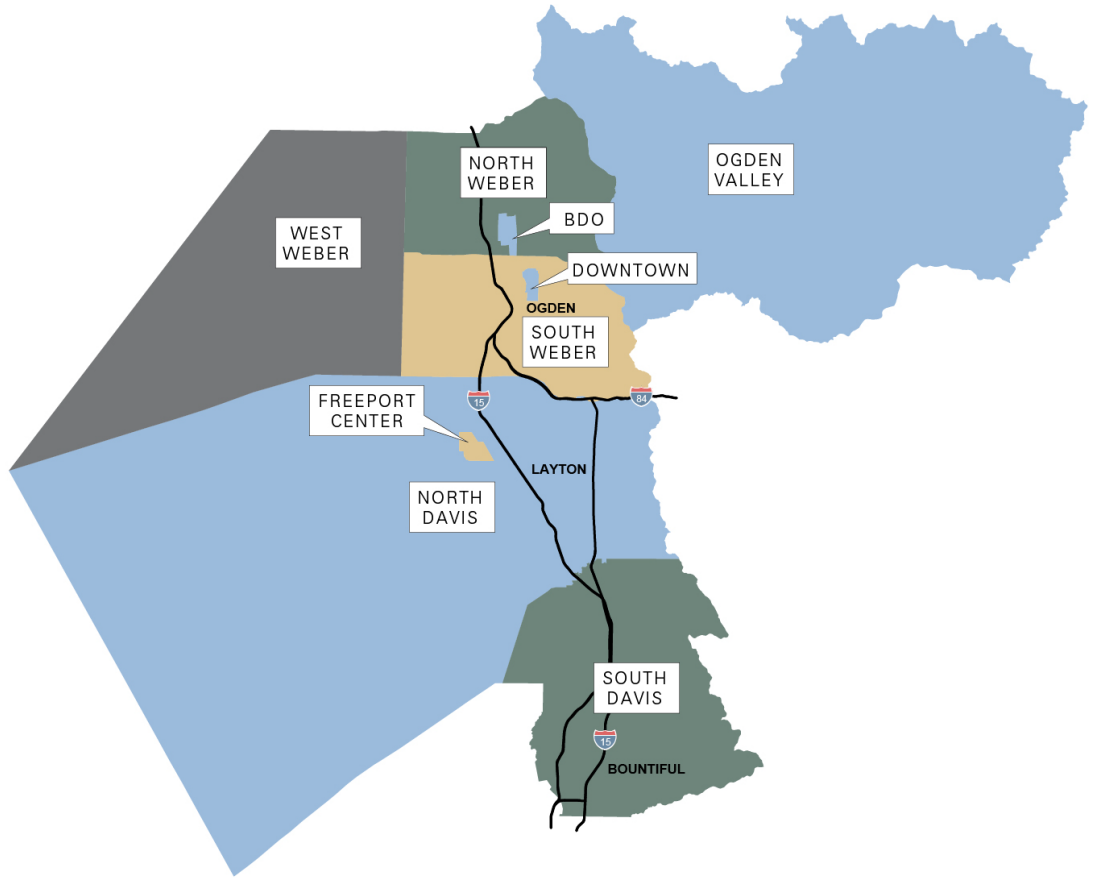
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